

Fiscal Services Division

Legislative Services Agency

Fiscal Note

SF 2329 – Categorical Programs in School Funding Formula (LSB 5938-H8290)

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Fiscal Note Version – As passed by the Senate and Amended by H-8290

Description

As amended by H-8290, Senate File 2329 requires funding for specified education standing appropriations to be provided on a per pupil basis through the State school aid formula beginning in FY 2010. These categorical standing appropriations include the Student Achievement/Teacher Quality (SATQ) Teacher Compensation Program and Professional Development Program, Early intervention/Class Size Reduction Program, and Educational Excellence Phase II. School aid funding for these Programs would be funded entirely through State aid.

The Bill, as amended, would roll these State categorical program funds into the school aid formula. Educational Excellence Phase II and the SATQ teacher compensation funding would be combined to form the teacher salary supplement, the SATQ Professional Development would be funded through the professional development supplement, and Early Intervention/Class Size Reduction would be funded through the early intervention supplement. Beginning with FY 2011 (starting with the 2009 Legislative Session), the General Assembly would be required to set a categorical allowable growth rate for each of the supplements.

Beginning in FY 2011, school districts and area education agencies that experience a decline in enrollment that is not offset by the allowable growth rate would receive a budget adjustment that guarantees them the previous fiscal year's unadjusted supplement amount (100.0% budget guarantee). The budget adjustment would be made for each of the categorical supplements as required and would be funded entirely through State aid.

Any appropriations made to the SATQ teacher compensation or professional development, Educational Excellence Phase II, or Early Intervention/Class Size Reduction for any fiscal years on or after FY 2010, will be rolled into the school aid formula on a per pupil basis.

Amendment H-8290 also provides technical corrections regarding the Early Intervention/Class Size Reduction Program and the Educational Excellence Phase II Program including elimination of appropriations made to those programs beginning in FY 2010.

Background

Funding for the impacted programs in FY 2008 and the allocation method for each is as follows:

- Early Intervention/Class Size Reduction (\$29.25 million) – School districts receive an allocation based on enrollments in kindergarten through grade three and the number of students in grades one through three that are eligible for free or reduced price meals. During the 2007 Legislative Session, SF 601 (State and Local Government Appropriations and Miscellaneous Changes Act) extended the Early Intervention/Class Size Reduction Program through FY 2012 and appropriated \$29.25 million annually through FY 2012.
- SATQ Teacher Compensation (\$141.3 million) – School districts and area education agencies receive an allocation based on the certified enrollments and certified FTE teacher counts. An appropriation for the SATQ program has been made for FY 2009, although the final allocation for teacher compensation has not yet been determined.
- SATQ Professional Development (\$20.0 million) – School districts and area education agencies receive an allocation based on average per diem contract salary multiplied by the number of teacher FTEs. An appropriation for the SATQ program has been made for FY 2009, although the final allocation for professional development has not yet been determined.
- Educational Excellence Phase II (\$40.9 million) – School districts and area education agencies receive an allocation based on the number of students in the district or area education agency. Section 294A.25, Code of Iowa, provides for an annual standing appropriation of \$56.9 million for Phase I and Phase II of the Educational Excellence Program. However, the standing appropriation has been reduced to \$55.5 million annually from FY 2005 through FY 2008.

Assumptions

The estimated fiscal impact of the General Assembly setting a categorical State percent of growth for the teacher salary supplement, the professional development supplement, and the early intervention supplement will not impact State aid to school districts until FY 2011. Assumptions used for the estimated impact in FY 2011 include:

- Utilizes the Department of Education enrollment projections.
- An FY 2009 increase in the SATQ teacher compensation of \$58.7 million. The remaining appropriations for the identified Programs will remain at the FY 2008 levels.

- No change in the FY 2010 appropriations for the SATQ teacher compensation and professional development, Educational Excellence Phase II, and Early Intervention/Class Size Reduction compared to the estimated FY 2009 amounts.

The table below provides the estimated amounts for FY 2008 through FY 2010 (dollars in millions).

FY	Early Intervention/ Class Size Reduction	Teacher Salary*	Professional Development	Total	Change From Previous Year	Percentage Change from Previous Fiscal Year
2008	\$ 29.3	\$ 182.2	\$ 20.0	\$ 231.4		
2009	29.3	240.9	20	290.1	58.7	25.4%
2010**	29.3	240.9	20	290.1	0.0	0.0%

*Teacher Salary includes the SATQ teacher compensation and Educational Excellence Phase II.
 **Current estimate based on FY 2009 appropriation amounts and subject to change.

Fiscal Impact

The State percent of growth for the teacher salary supplement, the professional development supplement, and the early intervention supplement for FY 2011 and beyond is currently unknown. The following table provides the estimated fiscal impact at 4.0% (\$11.5 million), 2.0% (\$6.0 million), and 0.0% (\$1.9 million).

(Dollars in Millions)

Estimates Based on 4.0% Allowable Growth Rates for All Years and Categories												
FY	Early Intervention/Class Size Reduction			Teacher Salary			Professional Development			Total	Change From Previous Year	Percentage Change from Previous Fiscal Year
	Unadjusted	B.A.	Total	Unadjusted	B.A.	Total	Unadjusted	B.A.	Total			
2011	\$ 30.4	\$ 0.0	\$ 30.4	\$ 250.3	\$ 0.1	\$ 250.4	\$ 20.8	\$ 0.0	\$ 20.8	\$ 301.6	\$ 11.5	4.0%

Estimates Based on 2.0% Allowable Growth Rates for All Years and Categories												
FY	Early Intervention/Class Size Reduction			Teacher Salary			Professional Development			Total	Change From Previous Year	Percentage Change from Previous Fiscal Year
	Unadjusted	B.A.	Total	Unadjusted	B.A.	Total	Unadjusted	B.A.	Total			
2011	\$ 29.8	\$ 0.0	\$ 29.9	\$ 245.5	\$ 0.4	\$ 245.9	\$ 20.4	\$ 0.0	\$ 20.4	\$ 296.1	\$ 6.0	2.1%

Estimates Based on 0.0% Allowable Growth Rates for All Years and Categories												
FY	Early Intervention/Class Size Reduction			Teacher Salary			Professional Development			Total	Change From Previous Year	Percentage Change from Previous Fiscal Year
	Unadjusted	B.A.	Total	Unadjusted	B.A.	Total	Unadjusted	B.A.	Total			
2011	\$ 29.2	\$ 0.2	\$ 29.4	\$ 240.7	\$ 1.8	\$ 242.4	\$ 20.0	\$ 0.1	\$ 20.1	\$ 292.0	\$ 1.9	0.7%

B.A. = 100.0% Budget Adjustment

Additional estimates at various allowable growth rates are available on the LSA web site at:

http://staffweb.legis.state.ia.us/lfb/docs/k-12_ed/k-12_ed.htm

Sources

Department of Education
LSA calculations

/s/ Holly M. Lyona

March 26, 2008

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.